

Locke Township, Ingham County
March 31, 2005
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AUDITING PROCEDURES REPORT

Issued under P.A. 2 of 1968, as amended. Filing is mandatory.

Local Government Type <input type="checkbox"/> City <input checked="" type="checkbox"/> Township <input type="checkbox"/> Village <input type="checkbox"/> Other		Local Government Name Locke Township		County Ingham
Audit Date 3/31/2005	Opinion Date 7/19/2005	Date Accountant Report Submitted to State: 10/14/2005		

We have audited the financial statements of this local unit of government and rendered an opinion on financial statements prepared in accordance with the Statements of the Governmental Accounting Standards Board (GASB) and the *Uniform Reporting Format for Financial Statements for Counties and Local Units of Government in Michigan* by the Michigan Department of Treasury.

We affirm that:

1. We have complied with the *Bulletin for the Audits of Local Units of Government in Michigan* as revised.
2. We are certified public accountants registered to practice in Michigan.

We further affirm the following. "Yes" responses have been disclosed in the financial statements, including the notes, or in the report of comments and recommendations

You must check the applicable box for each item below.

- ☐ yes ☒ no 1. Certain component units/funds/agencies of the local unit are excluded from the financial statements.
- ☐ yes ☒ no 2. There are accumulated deficits in one or more of this unit's unreserved fund balances/retained earnings (P.A. 275 of 1980).
- ☒ yes ☐ no 3. There are instances of non-compliance with the Uniform Accounting and Budgeting Act (P.A. 2 of 1968, as amended).
- ☐ yes ☒ no 4. The local unit has violated the conditions of either an order issued under the Municipal Finance Act or its requirements, or an order issued under the Emergency Municipal Loan Act.
- ☐ yes ☒ no 5. The local unit holds deposits/investments which do not comply with statutory requirements. (P.A. 20 of 1943, as amended [MCL 129.91], or P.A. 55 of 1982, as amended [MCL 38.1132]).
- ☐ yes ☒ no 6. The local unit has been delinquent in distributing tax revenues that were collected for another taxing unit.
- ☐ yes ☒ no 7. The local unit has violated the Constitutional requirement (Article 9, Section 24) to fund current year earned pension benefits (normal costs) in the current year. If the plan is more than 100% funded and the overfunding credits are more than the normal cost requirement, no contributions are due (paid during the year).
- ☐ yes ☒ no 8. The local unit uses credit cards and has not adopted an applicable policy as required by P.A. 266 of 1995 (MCL 129.241).
- ☐ yes ☒ no 9. The local unit has not adopted an investment policy as required by P.A. 196 of 1997 (MCL 129.95).

We have enclosed the following:

	Enclosed	To Be Forwarded	Not Required
The letter of comments and recommendations.	X		
Reports on individual federal financial assistance programs (program audits).			X
Single Audit Reports (ASLGU).			X

Certified Public Accountant (Firm Name) Richard L. Baldemann, CPA			
Street Address 1197 Wild Cherry Drive		City Williamston	State MI
Accountant Signature <i>Richard Baldemann</i>		ZIP 48895	

Richard L. Baldermann

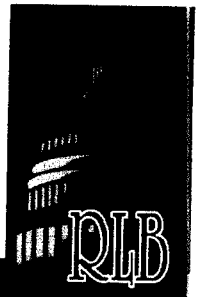
Certified Public Accountant

1197 Wild Cherry Drive, Williamston, MI 48895

Office: (517) 655-4772

Cell Phone: (517) 896-2210

e-mail: rlbaldermann@msn.com



INDEPENDENT AUDITOR'S REPORT

July 19, 2005

Locke Township Board
3805 Bell Oak Road
Williamston, Michigan 48895

Dear Board Members:

I have audited the accompanying basic financial statements of Locke Township as of March 31, 2005 and for the year then ended, as listed in the table of contents. These financial statements are the responsibility of Locke Township's management. My responsibility is to express an opinion on these financial statements based on my audit.

I conducted my audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that I plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. I believe that my audit provides a reasonable basis for my opinion.

In my opinion, the basic financial statements referred to above present fairly, in all material respects, the financial position of Locke Township as of March 31, 2005 and the changes in its financial position for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

As described in Note 1, the Township has implemented a new financial reporting model, as required by the provisions of GASB Statement No. 34, *Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments*. The accompanying financial statements do not present a management's discussion and analysis, which would be an analysis of the financial performance for the year. The Governmental Accounting Standards Board has determined that this analysis is necessary to supplement, although not required to be a part of, the basic financial statements.

Richard L. Baldermann

Richard L. Baldermann, CPA

Locke Township
Balance Sheet - Statement of Net Assets
March 31, 2005

Exhibit 1

	Balance Sheet Modified Accrual	Adjustments (Note 2)	Statement of Net Assets - Full Accrual
Assets			
Cash and Cash Equivalents (Note 3)	\$ 326,267		\$ 326,267
Property Taxes Receivable	4,196		4,196
Due From Tax Collection Fund	16,602		16,602
Due From State	17,156		17,156
Capital assets (Note 4)		\$ 40,509	40,509
Total assets	\$ 364,221	40,509	404,730
Liabilities			
Accounts payable	100		100
Due to other governmental units	717		717
Total liabilities	817		817
Fund Balances - Unreserved	363,404	(363,404)	
Total liabilities and fund balance	\$ 364,221		
Net Assets			
Invested in capital assets		40,509	40,509
Unrestricted		363,404	363,404
Total net assets		\$ 403,913	\$ 403,913

The Notes to Financial Statements are an Integral Part of this Statement.

Locke Township
Government Wide Statement of Activities
For the Year Ended March 31, 2005

Exhibit 2

Functions/Programs Primary Government	Program Revenues			Net (Expense) Revenue and Changes in Net Assets	
	Expenses	Licenses & Permits	Charges for Services	Operating Grants and Contributions	Total
General Government	\$ 91,152	\$ 3,803	\$ 1,175	\$ 2,468	\$ (83,706)
Public Safety	18,055	15,590			(2,465)
Public Works	9,719				(9,719)
Community and Economic Development	36,297	2,940			(33,357)
Recreation and Culture	1,320				(1,320)
Other Functions	17,085				(17,085)
Total Governmental Activities	173,628	22,333	1,175	2,468	(147,653)
Total Primary Government	\$ 173,628	\$ 22,333	\$ 1,175	\$ 2,468	(147,653)
General Revenues					
Property Taxes					62,968
State Grants					116,589
Unrestricted Investment Earnings					6,595
Miscellaneous					860
Special Item --Loss on Sale of Tractor					(516)
Total General Revenues--Special Items and Transfers					186,496
Change in Net Assets					38,843
Net Assets--Beginning					364,838
Net Assets--Ending					\$ 403,682

The Notes to Financial Statements are an integral part of this statement.

Locke Township
Statement of Revenues, Expenditures, and Changes in Fund Balance
General Fund
For the Year Ended March 31, 2005

Exhibit 3

Revenue	
Taxes	\$ 62,968
Licenses and Permits	22,333
State Grants	119,056
Interest and Rentals	6,595
Charges for Services-Sales	1,175
Other Revenue	860
Total Revenue	<u>212,988</u>
Expenditures	
General Government	
Township Board	7,113
Supervisor	8,950
Elections	1,339
Township Clerk	22,741
Legal	8,570
Treasurer	12,185
Assessor	10,675
Township Hall	4,171
Cemetery	12,281
Public Safety	18,055
Public Works	9,719
Community and Economic Development	36,297
Recreation and Culture	1,320
Other Functions	17,085
Capital Outlay	12,178
Total Expenditures	<u>182,677</u>
Excess (deficiency) of revenue	
over expenditures	<u>30,310</u>
Net Change in Fund Balance	30,310
Fund Balance-April 1, 2004	333,094
Fund Balance-March 31, 2005	<u>\$ 363,404</u>

Amounts reported for governmental activities in the statement of activities are different because:

Net Change in Fund Balance	\$ 30,310
Governmental funds report capital outlays as expenditures; in the statement of activities, these costs are allocated over their estimated useful lives as depreciation. This is the amount by which capital outlays exceeded depreciation in the current period.	9,049
Special Item --Loss on Sale of Tractor	(516)
Change in Net Assets of Governmental Activities	<u><u>\$ 38,843</u></u>

The Notes to Financial Statements are an integral part of this statement.

**Locke Township
Statement of Net Assets
Fiduciary Fund
March 31, 2005**

Exhibit 4

Tax Collection Fund

Assets

Cash and Cash Equivalents (Note 3)	45,334
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Total assets	<u>45,334</u>
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Liabilities

Due to General Fund	16,602
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Undistributed Tax Collections	28,484
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Due to Taxpayers	<u>248</u>
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Total liabilities	<u>45,334</u>
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The Notes to Financial Statements are an Integral Part of this Statement.

Locke Township
Statement of Changes in Assets and Liabilities
Fiduciary Fund
March 31, 2005

Exhibit 5

	Balance April 1, 2004	Additions	Deductions	Balance March 31, 2005
Tax Collection Fund				
Assets				
Cash and Cash Equivalents (Note 3)	\$ 2,043	\$ 1,791,251	\$ 1,747,959	\$ 45,334
Total assets	\$ 2,043	\$ 1,791,251	\$ 1,747,959	\$ 45,334
Liabilities				
Due to General Fund		\$ 61,520	\$ 44,918	\$ 16,602
Undistributed Tax Collections	\$ 2,043	1,729,482	1,703,040	28,484
Due to Taxpayers		248		248
Total liabilities	\$ 2,043	\$ 1,791,251	\$ 1,747,959	\$ 45,334

The Notes to Financial Statements are an Integral Part of this Statement.

NOTE 1--SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of Locke Township conform to accounting principles generally accepted in the United States of America (GAAP) as applicable to governmental units. The following is a summary of the significant accounting policies used by the Locke Township:

A. Accounting And Reporting Change

In June 1999, the Governmental Accounting Standards Board (GASB) issued Statement No. 34, *Basic Financial Statements-and Management's Discussion and Analysis-for State and Local Governments*. Locke Township has applied the provisions of this statement in the accompanying financial statements (including the notes to the financial statements).

B. Reporting Entity

The accompanying financial statements have been prepared in accordance with criteria established by the Governmental Accounting Standards Board for determining the various governmental organizations to be included in the reporting entity.

Locke Township covers an area of approximately 36 square miles located in Ingham County, Michigan. The Township operates under an elected five-member Board and provides various services to its residents. The accompanying financial statements present the government and its component units, entities for which the government is considered to be financially accountable. Based on the criteria established by the Governmental Accounting Standards Board (GASB), Locke Township has no component units.

C. Government-Wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net assets and the statement of changes in net assets) report information on all of the nonfiduciary activities of the primary government and its component units. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, normally supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support. Locke Township has no business-type activities.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include: (1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment; and (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenue.

Separate financial statements are provided for governmental funds and fiduciary funds, even though the latter are excluded from the government-wide financial statements.

D. Measurement Focus, Basis of Accounting and Financial Statement Presentation

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the fiduciary fund financial statements.

Revenue is recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenue in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Locke Township
Notes to the Financial Statements
March 31, 2005

NOTE 1--SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

D. Measurement Focus, Basis of Accounting and Financial Statement Presentation (Continued)

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting.

- Revenue is recognized as soon as it is both measurable and available. Revenue is considered to be available if it is collected within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Delinquent real property taxes are recognized as revenue in the current year since the County purchases those taxes. All other revenue items are considered to be available only when cash is received by the Township.
- Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, and claims and judgments are recorded only when payment is due.

The Township reports the following major governmental fund:

The General Fund is the Township's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund. The General Fund is the only operating fund of the Township.

Additionally, the Township reports the following fund type:

Agency Fund - The Agency Fund (Tax Collection Fund) accounts for assets held by the Township in a trustee capacity or as an agent for individuals, employees, organizations, other governments, or other funds. Agency Funds are custodial in nature (assets equal liabilities) and do not involve the measurement of results of operations.

Private-sector standards of accounting issued prior to December 1, 1989, are generally followed in the government-wide financial statements to the extent that those standards do not conflict with the standards of the Governmental Accounting Standards Board.

Amounts reported as program revenue include: (1) charges to customers or applicants for goods, services or privileges provided; (2) operating grants and contributions; and (3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as general revenue rather than as program revenue. Likewise, general revenue includes all taxes.

E. Assets, Liabilities, and Net Assets or Equity

Bank Deposits and Investments--Cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with a maturity of three months or less when acquired. Investments are stated at fair value.

Receivables and Payables--In general, outstanding balances between funds are reported as "due to/from other funds."

Property taxes are levied on each December 1st on the taxable valuation of property as of the preceding December 31st. Taxes are considered delinquent on February 14th of the following year, at which time penalties and interest are assessed by the Township. On March 1st the tax roll is delinquent and settled with the County at which time penalties and interest are assessed by the County on the delinquent taxes.

The 2004 taxable valuation of the Township totaled \$95.6 million, on which ad valorem taxes levied consisted of one mill for the Township operating purposes. These amounts are recognized in the

Locke Township
Notes to the Financial Statements
March 31, 2005

NOTE 1--SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

E. Assets, Liabilities, and Net Assets or Equity (Continued)

respective General Fund financial statements as tax revenue. The delinquent taxes are recognized as property taxes receivable.

Capital Assets--Capital assets, which include property, plant, equipment, infrastructure assets (e.g., roads, bridges, sidewalks, and similar items) are reported in the governmental activities column in the government-wide financial statements. Capital assets are defined as assets with an initial individual cost of more than \$100 and an estimated useful life in excess of two years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

Property, plant and equipment is depreciated using the straight-line method over the following useful lives:

- Buildings 50 years
- Building Improvements 10 to 20 years
- Office Equipment 7 to 20 years
- Computer Equipment 7 years

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenditures during the reporting period. Actual results could differ from those estimates.

NOTE 2--RECONCILIATION OF GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

Capital assets, which include property, plant and equipment reported in the governmental activities column in the government-wide financial statement, are not included in the modified accrual governmental fund statement.

Amounts reported for governmental activities in the statement of net assets are different because:

Total Fund Balances	\$363,404
Capital assets used in governmental activities are not financial resources and are not reported in the funds.	<u>40,509</u>
Net Assets of Governmental Activities	<u>\$403,913</u>

Amounts reported for governmental activities in the statement of activities are different because:

Net Change in Fund Balance	\$ 30,310
Governmental funds report capital outlays as expenditures; in the statement of activities, these costs are allocated over their estimated useful lives as depreciation. This is the amount by which capital outlays exceeded depreciation in the current period.	9,049
Special Item --Loss on Sale of Tractor	<u>(516)</u>
Change in Net Assets of Governmental Activities	<u>\$ 38,843</u>

Locke Township
Notes to the Financial Statements
March 31, 2005

NOTE 3--STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

Budgetary Information--Annual budgets are adopted on a basis consistent with generally accepted accounting principles for the General Fund. All annual appropriations lapse at fiscal year end. The budget document presents information by fund, function, department and line items. The legal level of budgetary control adopted by the governing body is the line item level.

Excess of Expenditures Over Appropriations in Budgeted Funds--During the year, Locke Township incurred expenditures in the General Fund which were in excess of the amounts appropriated, as follows:

- General Fund—Insurance and Bonds \$195.00

Credit Cards—The Township has two credit cards but has not adopted a credit card policy.

NOTE 4--DEPOSITS AND INVESTMENTS

Michigan Compiled Laws, Section 129.91, authorizes the Locke Township to make deposits and invest in the accounts of federally insured banks, credit unions, and savings and loan associations that have an office in Michigan. The Township is allowed to invest in bonds, securities and other direct obligations of the United States or any agency or instrumentality of the United States; United States government or federal agency obligations; repurchase agreements; bankers' acceptance of United States banks; commercial paper rated within the two highest classifications which mature not more than 270 days after the date of purchase; obligations of the State of Michigan or its political subdivisions which are rated as investment grade; and mutual funds composed of investment vehicles which are legal for direct investment by local units of government in Michigan.

The Locke Township Board has designated three banks for the deposit of Township funds. The investment policy adopted by the board in accordance with Public Act 196 of 1997 has further authorized investment in the remainder of State statutory authority as listed above after Board approval.

The Township's deposits and investment policy are in accordance with statutory authority. At year-end, the Township's deposits were reported in the basic financial statements as Cash and Cash Equivalents

Deposits	Carrying Amount	Bank Balance
Insured	\$ 100,000	\$ 100,000
Uninsured	<u>232,101</u>	<u>226,247</u>
Total Deposits	<u>\$ 332,101</u>	<u>\$ 326,247</u>

The bank balance of all Township deposits (including the Tax Collection fiduciary fund) is \$409,492, of which \$100,000 is covered by federal depository insurance.

NOTE 5--RECEIVABLES

Township receivables as of year-end are as follows:

General Fund	
Taxes Receivable	\$ 4,196
Due from Tax Collection Fund	16,602
Due from State (Revenue Sharing)	<u>17,156</u>
Gross Receivables	<u>\$ 37,954</u>

Locke Township
Notes to the Financial Statements
March 31, 2005

NOTE 6--CAPITAL ASSETS

Capital asset activity of the primary government for the current year was as follows:

Governmental Activities	Beginning Balance	Additions	Deductions	Ending Balance
Capital Assets Not Being Depreciated				
Land	\$ 2,837			\$ 2,837
Construction in Progress		<u>\$11,178</u>		<u>11,178</u>
Subtotal	<u>2837</u>	<u>11,178</u>		<u>14,015</u>
Capital Assets Being Depreciated				
Buildings	15,000			15,000
Building Improvements	21,203			21,203
Office Equipment	13,449	200		13,649
Machinery and Equipment	<u>9,553</u>	<u>7,981</u>	<u>8,131</u>	<u>9,403</u>
Subtotal	<u>59,205</u>	<u>8,181</u>	<u>8,131</u>	<u>59,255</u>
Less Accumulated Depreciation for				
Buildings	15,000			15,000
Building Improvements	6,195	1,592		7,788
Office Equipment	7,473	928		8,401
Machinery and Equipment	<u>1,264</u>	<u>608</u>	<u>434</u>	<u>1,438</u>
Subtotal	<u>29,932</u>	<u>3,129</u>	<u>434</u>	<u>32,627</u>
Net Capital Assets Being Depreciated	<u>29,273</u>	<u>5,052</u>	<u>7,697</u>	<u>26,628</u>
Governmental Activities Total				
Capital Assets--Net of Depreciation	<u>\$32,110</u>	<u>\$16,230</u>	<u>\$7,697</u>	<u>\$40,643</u>

Depreciation expense was charged to programs of the General Fund as follows:

Governmental Activities	
General Government	\$3,129

Construction Commitments—The Township has begun the process of expanding and renovating the Township Hall. At year end the Township has expended \$11,178 on preliminary expenses related to that project.

NOTE 7--RISK MANAGEMENT

Locke Township is exposed to various risks of loss related to property loss, torts, errors and omissions and employee injuries (workers' compensation). The Township participates in the Michigan Townships Participating Plan, which operates as an insurance purchasing pool for local units of government in Michigan. The Plan purchases commercial insurance on behalf of its members at a lower cost than would be available on an individual basis. The Township coverage includes property loss, torts, errors and omissions and employee injuries (workers' compensation). Settled claims relating to the commercial insurance have not exceeded the amount of insurance coverage in any of the past three fiscal years.

Locke Township
 Budgetary Comparison Schedule
 General Fund
 For The Year Ended March 31, 2005

	Original Budget	Amended Budget	Actual	Variance with Final Budget
Budgetary Fund Balance, April 1, 2004	\$ -	\$ -	\$ 333,094	\$ 333,094
Reources (Inflows)				
Taxes	63,000	63,000		(32)
Taxes			41,109	
Delinquent Taxes			4,196	
Administration Fee			17,663	
Licenses and Permits				
Building Inspection Permit Fee	20,000	20,000	15,590	(4,410)
Zoning Permit Fee	4,000	4,000	2,940	(1,060)
Cemetery Burial Fee	5,400	5,400	3,803	(1,597)
State Grants				
METRO Fee	6,000	6,000	3,771	(2,229)
SET Collection Reimbursement			2,468	2,468
State Revenue Saring	112,000	112,000	112,818	818
Interest and Rentals				
Interest	3,500	3,500	5,110	1,610
Rent	1,500	1,500	1,485	(15)
Charges for Services-Sales				
Sale of Cemetery Lots	3,000	3,000	1,175	(1,825)
Other Revenue				
Reimbursements			860	860
Amounts Available for Appropriation	<u>218,400</u>	<u>218,400</u>	<u>546,081</u>	<u>327,681</u>
Charges to Appropriations (Outflows)				
General Government				
Township Board				
Per Diem	3,000	3,000	2,300	700
Memberships & Dues	1,500	1,500	1,104	396
Printing and Publishing	2,000	2,000	1,585	415
Education and Training	3,000	3,000	2,124	876
Supervisor				
Salary	9,000	9,000	8,950	50
Elections				
Salaries	1,500	1,500	1,339	161
Township Clerk				
Clerk Salary	12,000	12,000	12,000	-
Deputy Clerk Salary	3,000	4,000	3,717	283
Office Supplies	7,000	7,000	5,483	1,518
Communications	1,600	1,600	1,327	273
Tansportation and Travel	250	250	214	36
Legal				
Professional Services	22,500	19,225	8,570	10,656
Treasurer				
Salary	12,000	12,000	12,000	-
Deputy Treasurer Salary	200	200	185	16
Assessor				
Professional Services	10,500	10,675	10,675	-
Subtotal	<u>89,050.00</u>	<u>86,950.00</u>	<u>71,571.59</u>	<u>15,378.41</u>

Locke Township
Budgetary Comparison Schedule
General Fund
For the Year Ended March 31, 2005

Exhibit 6

	Original Budget	Amended Budget	Actual	Variance with Final Budget
General Government (continued)				
Subtotal from Previous Page	89,050	86,950	71,572	15,378
Township Hall				
Township Hall Salaries	500	650	628	22
Hall Wages-Rental	150	150	118	32
Electricity	900	1,050	959	91
Fuel Oil	1,500	1,500	1,093	407
Repairs and Maintenance	3,000	3,000	1,164	1,836
Miscellaneous (Trash Pickup)	500	500	209	291
Cemetery				
Wages-Sexton	4,800	4,800	3,660	1,140
Salaries-Maintenance	6,000	7,500	6,984	517
Supplies	2,200	2,200	1,637	563
Public Safety				
Police	3,300	3,300	2,603	697
Fire Protection	500	500	500	-
Building Inspection				
Building Inspection	15,000	15,500	14,952	548
Public Works				
Drain at Large	7,000	7,000		7,000
Roads	20,000	17,500	9,719	7,781
Community and Economic Development				
Planning				
Salaries	7,000	7,000	5,309	1,692
Zoning				
Salaries	12,000	12,000	12,000	-
Professional Services	18,000	20,000	18,989	1,011
Recreation and Culture				
Recreation Program	2,000	2,000	1,320	680
Other Functions				
Insurance & Bonds	14,000	14,000	14,195	(195)
Employees share SS	2,600	2,900	2,890	10
Capital Outlay				
Capital Outlay				
Equipment	5,000	5,000	1,000	4,000
Capital Project-Building	50,000	50,000	11,178	38,822
Contingencies	5,000	5,000		5,000
Total Charges to Appropriations	270,000	270,000	182,677	87,323
Budgetary Fund Balance March 31, 2005	\$ -	\$ -	\$ 363,404	\$ 363,404

Richard L. Baldermann

Certified Public Accountant

1197 Wild Cherry Drive, Williamston, MI 48895

Office: (517) 655-4772

Cell Phone: (517) 896-2210



e-mail: rbaldermann@msn.com

July 19, 2005

Locke Township Board
3805 Bell Oak Road
Williamston, Michigan 48895

Dear Board Members:

I was engaged to audit the financial statements of Locke Township for the year ended March 31, 2005, and have issued my report thereon dated July 19, 2005.

In planning and performing my audit of the financial statements of Locke Township for the year ended March 31, 2005, I considered the Township's internal control structure to determine my auditing procedures for the purpose of expressing an opinion on the financial statements and not to provide assurance on the internal control structure.

The management of Locke Township is responsible for establishing and maintaining an internal control structure. In fulfilling this responsibility, estimates and judgments by management are required to assess the expected benefits and related costs of internal control structure policies and procedures. The objectives of an internal control structure are to provide management with reasonable, but not absolute, assurance that assets are safeguarded against loss from unauthorized use or disposition, and that transactions are executed in accordance with management's authorization and recorded properly to permit the preparation of the financial statements in accordance with generally accepted accounting principles. Because of inherent limitations in any internal control structure, errors or irregularities may nevertheless occur and not be detected. Also, projection of any evaluation of the structure to future periods is subject to the risk that procedures may become inadequate because of changes in conditions or that the effectiveness of the design and operation of policies and procedures may deteriorate.

I noted certain matters involving the internal control structure and its operation that I consider to be reportable conditions under standards established by the American Institute of Certified Public Accountants. Reportable conditions involve matters coming to my attention relating to significant deficiencies in the design or operation of the internal control structure that, in our judgment, could adversely affect the township's ability to record, process, summarize, and report financial data consistent with the assertions of management in the financial statements. These conditions are more fully explained in the attached report of comments and recommendations.

A material weakness is a reportable condition in which the design or operation of one or more of the specific internal control structure elements does not reduce to a relatively low level the risk that error or irregularities in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. My consideration of the internal control structure would not necessarily disclose all matters in the internal control structure that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses as defined above.

This report is intended for the information of management and other regulatory agencies. This restriction is not intended to limit the distribution of this report, which is a matter of public record.

Richard L. Baldermann

Richard L. Baldermann, CPA

LOCKE TOWNSHIP
Comments And Recommendations
March 31, 2005

OTHER REPORTABLE CONDITIONS

Although the following are not considered material weaknesses in the internal control structure, my audit disclosed certain other reportable conditions which I wish to point out for consideration by the management of Carmel Township.

Treasurer's Tax Collection Bank Reconciliations

The Treasurer's cash ledgers agree with the monthly bank statements, however, there are several areas that need attention as follows:

- Checks are posted as of the date they clear the bank not the date they are written;
- Formal bank reconciliations are not prepared. Therefore there is no record of outstanding checks;
- Checks 2502, 2630 and 2648 are not accounted for;

I recommend that the Treasurer:

- Post all checks as of the date they are written;
- Reconcile the bank accounts monthly and prepare formal bank account reconciliations. Copies of the bank reconciliations must be provided to the Township Clerk.

Treasurer's Tax Collection Cash Ledgers

The Treasurer's cash ledgers are not maintained in sufficient detail to determine if taxes collected for the various taxing units are distributed in the same amount.

Following are the accounts used to record tax collections and distributions:

Revenue

- Check charge for T. West
- Delinquent tax payment
 - Personal
- Deposit adjustment
- Interest on acct
- Resubmit T. Wright ck
- Tax collection
 - Tax collection - Unassigned
 - Tax collection '04 batch #1

Expenses

- Bank charges-returned ck-Wright
- Returned check-T Wright
- Tax distribution
 - Fifteen-day collection
 - Transfers
 - Tax Distribution

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Comments And Recommendations
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Treasurer's Tax Collection Cash Ledgers (continued)

I recommend that the Treasurer establish the following accounts to properly account for the tax collection and distribution:

Due to:

- County
- SET
- Shiawassee Intermediate
- Dist Library
- Fowlerville Library
- LESA
- LCC
- Ingham Intermediate
- NIESA
- Fowlerville School
- Morrice School
- Perry School
- Webberville School
- Williamston School
- Locke Twp--Tax
- Locke Twp--Summer Admin Fee
- Locke Twp--Winter Admin Fee
- Locke Twp--Interest
- Overpayments
- Undistributed Personal Taxes

Those accounts must be used for collections and distributions.

Checks Restored to Cash

In December 2004 the Treasurer restored 3 checks to cash that had been outstanding from the 2003 tax collection period. These amounts remain "Due to the Taxpayer" and are reflected as such in the audit report.

District Library Overlevy

2515	Wilson	voiding-\$137.50	tax overpayment : dist lib overlevy
2517	Turkington	voiding-\$58.07	tax overpayment : dist lib overlevy
2567	Stratton	voiding-\$52.73	tax overpayment : dist lib overlevy

I recommend that efforts be made to pay the amounts to the taxpayers. If unsuccessful, these amounts must be escheated to the State of Michigan.

Further, there is an unexplained balance in the tax accounts that must be resolved.

LOCKE TOWNSHIP
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NONCOMPLIANCE WITH STATE STATUTES

My examination revealed the following instances of noncompliance with State Statutes.

Budgets

The Township's budget document does not include estimated beginning or estimated ending balances as required by the Uniform Budget Act.

I recommend that the budget include estimated beginning or estimated ending balances as required by the Uniform Budget Act.

Credit Card Policy

the Township has credit cards but does not have a credit card policy.

I recommend that the Township Board adopt a credit card policy as required by statutes.

Depository Resolution

The designation of depositories as approved by the Township Board contains three banks, two of which no longer exist.

I recommend that the designation of depositories be updated.

GENERAL COMMENT

Although the Township is not required by the *Uniform Accounting and Budgeting Act* to have an annual audit, it would be in the best interest of the officials and residents of the Township that an annual audit be obtained.